



Faculty of Cognitive Sciences and Human Development

**RELATIONSHIP BETWEEN SELECTED LEADERSHIP
STYLES AND TRUST IN LEADERS : THE MEDIATING ROLE
OF JUSTICE PERCEPTIONS**

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**RELATIONSHIP BETWEEN SELECTED LEADERSHIP STYLES AND
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PERCEPTIONS**

KAREN WOON PEI ZHEN

**This project is submitted in partial fulfillment of the requirements for a
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The project entitled ‘Relationship between Selected Leadership Styles and Trust in the Leaders: The Mediating Role of Justice Perceptions’ was prepared by *Karen Woon Pei Zhen* and submitted to the Faculty of Cognitive Sciences and Human Development in partial fulfillment of the requirements for a Bachelor of Science with Honours (*Human Resource Development*)

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ABSTRACT

RELATIONSHIP BETWEEN SELECTED LEADERSHIP STYLES AND TRUST IN LEADERS: THE MEDIATING ROLE OF JUSTICE PERCEPTIONS

Karen Woon Pei Zhen

This study was conducted to measure the mediating effect of justice perceptions in the relationship between selected leadership styles and employees' trust in the leaders. A survey research method was used to gather 118 usable questionnaires from individual employees of middle- and lower-level managements who have worked in Western Digital (formerly known as Komag). The outcomes of stepwise regression analysis demonstrated that both procedural and distributive justices were mediating variables for the transformational and transactional leadership with trust in leaders' relationship. This result shows that justice perceptions are acting as full mediating variables in the leadership models of the organization sample. In addition, the implications of this study to leadership theory and practice, conceptual and methodological limitations, and directions for future research are discussed.

ABSTRAK

PERHUBUNGAN ANTARA GAYA KEPIMPINAN TERPILIH DENGAN KEPERCAYAAN TERHADAP KETUA: PERANAN TANGGAPAN ADIL SEBAGAI PENGANTARA

Karen Woon Pei Zhen

Kajian ini dijalankan untuk mengukur kesan tanggapan adil sebagai pengantara dalam perhubungan antara gaya kepimpinan terpilih dengan kepercayaan terhadap ketua. Kaedah kajian tinjauan telah digunakan untuk mengumpul 118 set borang soal selidik yang boleh diguna, daripada pekerja-pekerja pengurusan pertengahan dan bawahan yang bekerja di Western Digital (dahulunya dikenali sebagai Komag). Hasil daripada analisis regresi stepwise menunjukkan bahawa keadilan prosedur dan pengagihan adalah pemboleh ubah pengantara bagi perhubungan antara kepimpinan transformasi dan transaksi dengan kepercayaan terhadap ketua. Keputusan ini menunjukkan bahawa tanggapan adil bertindak sebagai pemboleh ubah pengantara sepenuh dalam model kepimpinan sampel organisasi. Tambahan pula, implikasi kajian ini terhadap teori dan amalan kepimpinan, pembatasan konsep dan metodologi, serta hala tuju untuk kajian pada masa hadapan juga dibincangkan.

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter includes nine sections. The first section explains the background of the study. The second section shows the background of selected leadership styles in the studied organization, Western Digital. The third section identifies the problem statement. The fourth section states the research objectives which consist of general and specific objectives. The research conceptual framework will be shown in the fifth section. The sixth section states the research hypotheses. The operational definitions of terms are defined in the seventh section. The eighth section discusses the significances of the study to theory, research methodology and practitioners. The conclusion is mentioned in the last section.

1.1 Background of the Study

Transformational and transactional leaderships were the two main aspects first developed by Burns (1978) and were improved by Bass and Avolio (1991) to become the 'Full Range Model of Leadership' (Bass, 1985; Bass & Avolio, 1991; Bass & Avolio, 1993). According to Burns (1978), there were two basic levels of influence evident in the interaction between the leader and the led. One influence of the leader, which was called transformational or charismatic leadership by Burns (1978), was based on a relationship between the leader and his followers that was inspirational and broke the cycle of subordinates' basic expectations. This type of leadership style can enchant employees and push them on to new and challenging goals. The second influence, known as transactional leadership, came from the understanding that the leader creates a cost-benefit concept in his constituency. It means that the employees will perform in accordance with the leader's wishes as they believe that they will be granted by such actions.

Transformational leadership is a leadership style which changes the personality or character of someone's or something's rules of conduct (Kanungo & Mendonca, 1996). Leaders who apply such leadership style raise the employees' awareness of their needs to grow, prove their self-expression, and encourage them to perform at new and higher levels. They also influence the expectations of their subordinates, change their values and beliefs, and raise them in the hierarchy of needs. According to Burns (1978), the hierarchy of needs is the basis of the transformational process. Transformational leadership is a result of a leader's characters, his strong belief, as well as his ability to express a compelling vision.

Transactional leadership, on the other hand, is expressed in the leaders' ability to make their people aware of a link between effort and reward. It emphasizes task structure and its accomplishment, and also focuses on the exchanges that take place between a leader and his or her followers (Bass, 1996). Bass (1985) identified contingent reward, management-by-exception, and *laissez-faire* as the key types of transactional leadership.

The behavioral descriptions, derived from Burns's theory of leadership, had urged Bass (1985) to establish a research tool, called the MLQ – The Multifactor Leadership Questionnaire. A high correlation was found between leaders' transformational style and the organizational performance level in the studies that utilized this tool. This correlation was consistently higher than the positive correlation between transactional leadership and the organizational performance. However, a negative correlation was usually found between the absent or passive style of leadership and the organizational performance (Gaspar, 1992; Lowe, Kroeck, & Sivasubramaniam, 1996; Geyer & Steyrer, 1998; MacKenzie, Podsakoff, & Rich, 2001).

Bass and Avolio (1991) expanded the leadership model to include eight styles of leadership behavior whereby the outcome was gained from their research with 78 managers who were asked in an open-ended questionnaire to describe the most remarkable characteristics of leaders who have influenced them personally. After analyzing the results, Bass's original model was expanded to what they called the contemporary 'Full Range of Leadership Model' which includes (1) transformational leadership which is based on idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration, (2) transactional leadership which is based on contingent rewards, active and passive aspects of management by exception, and (3) *laissez-faire* or no leadership.

In this model, the most effective style is demonstrated by transformational leadership, followed by transactional leadership and then the *laissez-faire* style. Most conceptualizations of transactional leadership, however, exclude *laissez-faire* because it represents the absence of leadership. Lewin, Lippitt and White (1939) studied boys' clubs whereby adults were taught to lead each group as either a *laissez-faire* leader or a democratic leader. *Laissez-faire* leaders offered little guidance and gave their groups complete freedom. As a result, the groups led by *laissez-faire* leaders proved to be disorganized and confused, and their work was less efficient with poorer quality than the work of groups led by leaders who exhibited different behaviors. Therefore, only the two more effective leadership styles, namely transformational and transactional leaderships were selected and studied in this research.

1.2 Background of Selected Leadership Styles in Western Digital

Today, the starting point of most studies is the notion that organizational leadership is first and foremost an influence on employees' motivation to perform tasks throughout time while utilizing motivation methods and little use of force (Kotter, 1996). In addition, it connects leadership with the political environment in organizations which consist of the processes of influence, authority, power, and strength.

The studied organization, Western Digital, is a private organization which manufactures electronic devices such as microchips and discs. It was formerly known as Komag. It is situated at Sama Jaya Free Industrial Zone, Muara Tabuan, in Kuching. There are about 2660 employees working in the organization.

From the in-depth interview, the practices of transformational and transactional leadership styles by leaders (supervisors and managers) do exist but not quite obvious for some of them. The supervisors who portray transformational leadership style always communicate with their subordinates in giving them advices or information regarding their work. They give encouragement to their subordinates to perform beyond the set expectations. Besides, the employees are encouraged to talk optimistically about their future of what they are going to be or achieve. Those leaders who are capable in leading and are willing to listen to subordinates' concern instill pride and gain respect from their subordinates. The leaders also encourage their subordinates to look from different angles to solve problems. If the leaders have time, they will spare some to coach and motivate their employees.

As for the leaders who practise transactional leadership look at small problems seriously and take action to tackle before the problems become chronic. They supervise their subordinates' work and keep track of their performance from time to time. They will provide rewards for those who perform outstandingly in their job. Apart from that, agreements are also worked out with their subordinates on what they will receive if they accomplish the required jobs.

1.3 Problem Statement

Early studies focused more on different leadership styles and their characteristics. The characteristics of transformational leadership include charisma or idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. Contingent rewards, management-by-exception, and *laissez-faire* are characteristics under transactional leadership (Bass, 1998). Antecedents of transformational behavior have been sparsely examined since the

first research and articulation of the concept (Burns, 1978; Bass, 1985). They described mostly on the roles of these leadership styles and slightly ignored the important perceptions and feelings of the employees towards the leaders.

Recent studies show that the ability of leaders to use good practices may increase trust in the leaders (Arnold, Barling, & Kelloway, 2001; Gillespie & Mann, 2004). For example, leaders who are able to practice such leadership styles, namely transformational and transactional leaderships, may lead to increased employees' trust to leaders (Bennis & Nanus, 1985; Bass, 1985; Podsakoff, MacKenzie, Moorman, & Fetter, 1990).

A thorough review of such relationship found that characteristics of transformational and transactional leadership have indirectly affected trust in the leaders via justice perceptions (Pillai, Schriesheim, & Williams, 1999). This relationship explains that if an employee perceives that his or her leader properly implements the leadership styles, this will involve employees' perceptions of procedural and distributive justices. As a result, it may lead to increased trust within the employees toward their leaders (Korsgaard, Schweiger, & Sapienza, 1995). Specifically, for instance, the procedures used properly in determining pay raises may heighten employees' judgments of procedural justice which uniquely contribute to trust in the leaders (Folger & Konovsky, 1989). Along the same lines, it was suggested that the impact of transactional leadership on trust may be mediated by distributive justice (Pillai *et al.*, 1999).

Although many studies have been done, little is known about the mediating role of justice perceptions in the leadership models (Pillai *et al.* 1999). While leaders play the primary role in establishing and developing trust, little research has examined the specific leadership practices which engender trust toward

leaders (Gillespie & Mann, 2004). The relationship of transformational and transactional leadership to procedural and distributive justice has been slightly left unexamined as well. There is also a relative scarcity of literature that examines the relationship between leadership styles and trust in the leaders via justice perceptions in the private sectors, focusing specifically on Western Digital, Sarawak. Therefore, the need for further research in this issue is imperative.

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study is to investigate the mediating role of justice perceptions in the relationship between leadership styles and trust in leaders.

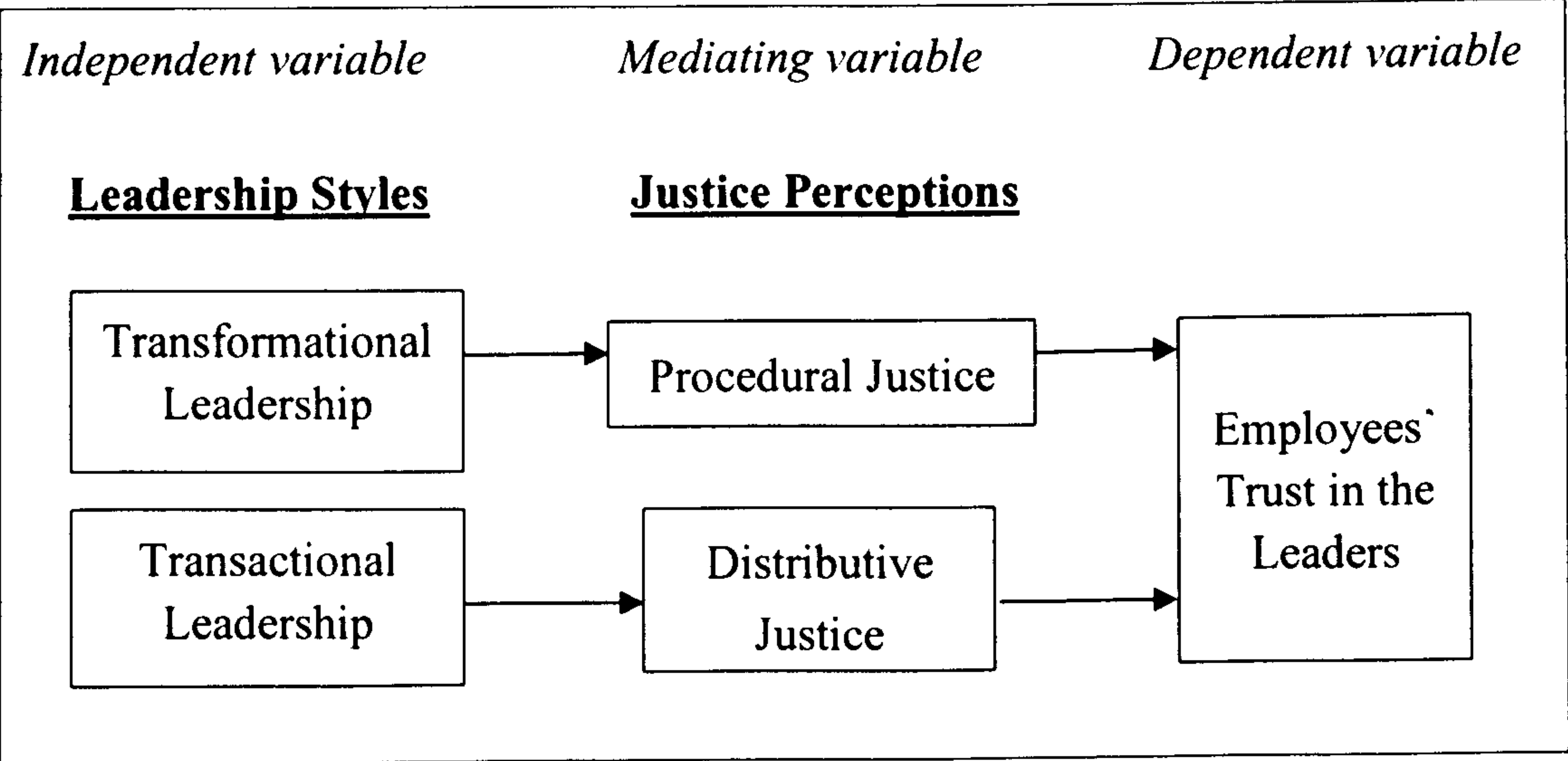
1.4.2 Specific Objectives

- (i) To examine the mediating role of procedural justice in the relationship between transformational leadership and trust in leaders.
- (ii) To identify the mediating role of distributive justice in the relationship between transactional leadership and trust in leaders.

1.5 Conceptual Framework

Figure 1 highlights that the effect of the independent variables (transformational and transactional leadership) is indirectly influenced by the mediating variables (procedural and distributive justice) on the dependent variable (employees' trust in the leaders).

Figure 1: Justice perceptions mediate the relationship between selected leadership styles and trust in the leaders.



Source: Adapted and modified from R. Pillai, C. A. Schriesheim, and E. S. Williams, "Fairness perceptions and trust as mediators for transformational and transactional leadership: A two-sample study," *Journal of Management* 25, no. 6 (1999): 900.

1.6 Research Hypotheses

H1: Procedural justice mediates the effect of transformational leadership on trust in leaders.

H2: Distributive justice mediates the effect of transactional leadership on trust in leaders.

1.7 Operational Definitions of Terms

(a) Leadership Style

It refers to the practice of the type of leadership by the supervisors or managers in influencing, motivating, leading, and controlling the attitudes and thoughts of their subordinates, with the hope to enable them to contribute to the effectiveness and success of the organization.

(b) Transformational Leadership

Leaders who practise transformational leadership spend time teaching and coaching and encourage subordinates to perform beyond their expectations. They consider each subordinate as having different needs, abilities, and aspirations from others. Besides, such leaders also encourage employees to be more innovative and think more creatively and get them to rethink ideas that they had never questioned before. They set challenging standards for the tasks given to the employees and help to increase their motivation to achieve individual and organizational goals. Transformational leaders will also instill pride in their subordinates as well as consider the moral and ethical consequences of decisions. Furthermore, they listen to employees' concerns and help them to develop their strengths.

(c) Transactional Leadership

It is a leadership style whereby the supervisors or managers work out agreements with their subordinates on what they will receive if they do what needs to be done. They make clear of their expectations to the employees and tell them the standards that they have to know to carry out their work. This type of leaders monitors closely employees' performance and keep track of mistakes. They will take action before the problems are chronic.

(d) Justice Perception

It refers to the employees' perception of fairness towards the actions of their supervisors or managers in dealing with the workers' welfare, compensation and benefits, attitudes and behaviors.

(e) Procedural Justice

Employees with such feeling of justice feel that their leaders have tried to treat all of them fairly without bias. Employees can participate in decision-making after they have worked in the organization for a year. They also perceive fairness in terms of the pay and benefits which are allocated according to proper procedures.

(f) Distributive Justice

It measures the employees' perception of fairness in terms of pay and benefits which are given fairly according to their efforts and needs and as promised by their leaders. Their pays are fair compared to the pays of their colleagues. Besides, they also perceive fairness when they receive fair punishment because of frequent mistakes made in their work.

(g) Employees' Trust in the Leaders

It refers to the feelings or beliefs of the employees toward their supervisors or managers who can make good decisions and judgments and can be counted on to overcome any obstacle. The employees feel that their leaders are good in leading them when doing organizational projects and believe that their leaders will provide correct information about the tasks for them ideas or opinions are useful for them in doing their job. Therefore, they will give full commitment to work with their leaders.

1.8 Significance of the Study

1.8.1 Significant to Theories

Leadership research literature shows that transformational and transactional leadership styles have an indirect effect towards the outcomes of employees' trust in the leaders (Pillai *et al.*, 1999). This study is carried out to recognize the roles of procedural and distributive justice as mediators that affect the relationship between selected leadership styles and trust in the leaders. The outcomes from the research is hoped to enrich the existing theories to support the indirect relationship of the variables in studies for future references.

1.8.2 Significant to Research Methodology

This study was meant to help in supporting past studies or even shed some unclear issues regarding the roles of justices in mediating the relationship between selected leadership styles and trust in the leaders. The data and information collected from leadership literatures, in-depth interview, and survey questionnaire will help to accomplish a minimum standard of validity and reliability and this will lead to a finding of more accurate results and outcomes as well as providing suggestions to reduce the limitations of this study.

1.8.3 Significant to Practitioners

This study is hoped to contribute in terms of practising more effective leadership styles for HR practitioners specifically, so that the goals of the individual employees and organization could be better achieved. Organizations and managers might use this finding to manage their employees in a more proper way and enhance their positive attitudes and behaviors at work. Moreover, since there is a lack of research in this region, data collected in Malaysia where social and cultural differences are different from those in earlier studies may produce new findings, enabling supervisors or managers as leaders to become more alert, innovative, experimental, and communicative with employees.

1.9 Conclusion

This chapter has discussed about the background of study, background of selected leadership styles in the studied organization, problem statement, research objectives, conceptual framework, research hypotheses, operational definitions of terms, as well as the significance of the study to theories, research methodology, and HR practitioners. The objective of this research is to study the relationship between transformational and transactional leadership styles and employees' trust in the leaders through procedural and distributive justice. The result of the study will reveal whether it accepts or rejects the findings of past researches. Apart from that, the conceptual framework shows procedural justice mediates the relationship between transformational leadership and trust in leaders, and distributive justice mediates the relationship between transactional leadership and trust in leaders. The next chapter will discuss about the important concepts, as well as theoretical and empirical evidences regarding the relationship between the variables based on literature findings.